

CENTRAL INTELLIGENCE AGENCY

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To protect the Land government from accusations of favoritism to creditors, the liquidators, in a circular of 6 September 1946, were categorically enjoined from undertaking any further payments to creditors. Observation of this principle was circumvented in some cases under pressure on the part of the liquidation commission or the Soviet AG affected, in order not to call into question current contracts and other delivery agreements. The justiciate of the Economics Division granted approval in individual cases.

My office was kept currently informed of the progress of the liquidations through receipt of minutes of sessions and numerous other documents. Moreover, Mr. Friedheim and I participated in some cases in sessions of the liquidation commissions. Justiciary Hauke also gave the commission the benefit of his legal experience.

In the transfer directives of SMA Halle, the liquidation of the assets and liabilities not earmarked for transference was generally ordered. Following the provisions of German commercial law, the Land government sanctioned the liquidation of companies only in those cases where such action did not interfere with the principles of legal registration. In order that all precautions might be taken this question was discussed initially with Professor Dr. Gleitze and Finanzrat Kammel of the German Central Administration for Finance in Berlin. The formal order for liquidation was issued through the justiciary of the Economics Division.

At the beginning of July 1947 Lt. Col. Ptukhin and Captain Shapiro of the financial section of SMA Halle entered into the question and asked for an accounting of the settlement of liquidation matters, which were in their opinion too long drawn out. Without actually expressing any basic objections, Captain Shapiro made it emphatically understood that the liquidation must be brought to a speedy conclusion and that for this purpose the persons entrusted with the liquidation must be completely relieved of all other duties. At the same time it was definitely stated that, for the Russian part, the liquidation activities of the Land government need extend only to the conversion of the credit side of the liquidation balance and that, moreover, in no case were distributions from the estate to be undertaken by the liquidators. The entire problem was submitted to Justiciary Hauke. As a result the Land government created the so-called Land Liquidation Commission under the chairmanship of Justiciary Hauke.

To carry out the rapid liquidation demanded by the Russians, all the economic examiners were immediately ordered by telegraph to report to Halle and were informed orally of the attitude of the occupation power, and in addition, I also informed the heads of the local economic sections, as chairmen of the liquidation commissions, as well as the economic examiners themselves, of the new situation, in writing through Circular No. 2 of 12 September 1947. In this circular, the liquidators were asked to present by 15 October, 1947 in addition to a liquidation opening balance, a new survey of the liquidation situation as of 30 June 1947. Captain Shapiro on 18 October 1947 personally collected the six property surveys which had already arrived, and with them the notes of the competent division.

For the record, it should be noted that the prompt settlement of the task given the economic examiners would probably be delayed since both the heads of the local economics sections and the economic examiners themselves had been occupied with far more than the normal amount of work in the past few weeks because of the work

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involved in carrying out Order No. 188. [REDACTED] Comment: Order No. 188 was concerned with the re-examination by the Germans of evaluations of properties transferred to Soviet ownership)

In the last few days, the liquidation of German residual companies became extraordinarily complicated because most of the main administrations of the Soviet AGs have forbidden members of their staffs to carry on any activities involving their old (liquidating) firms. The administrations of the Russian companies specifically stated that the officials affected had to break off these activities by 15 October 1947. In several cases transcripts relating to this matter were placed at the disposal of the office. Formal warnings have been issued so far in the following cases:

- 1) Braunkohle-Benzin-AG, Zeitz Works, Tröglitz bei Zeitz
- 2) Zeitzer Eisengiesserei und Maschinenbau AG (Zemag), Zeitz
- 3) Maschinenfabrik Sangerhausen AG, Sangerhausen
- 4) Aktiemaschinenfabrik Kyffhäuserhütte, Artern
- 5) G. Polysius AG, Dessau
- 6) A. W. Mackensen GmbH, Magdeburg

The registration of a similar statement was likewise effected for the Rifa Mitteldeutsche Fahrradwerke GmbH, Sangerhausen. It must be expected that in the next few days - - just as has already happened in East Thuringia - - the same instructions will be issued by the General Directorate in the remaining liquidation cases.

The Soviet AGs have also demanded that the quarters still used by the companies in the process of liquidation be to a great extent released, or in any case that they be used only if rent is paid. The economic commissioner of Sangerhausen stated in this connection that in this way the Soviet AGs were apparently trying to take over all the remaining installations not transferred to the occupying power, for scrap prices if not entirely without payment. In this case, the assets available for liquidation would be further impaired, since normal sale would bring in considerable funds. Thus creditors would suffer further losses over and above those already sustained as a result of official transfers of the plant and merchandise values.

Directives to the liquidators and orders concerning liquidation activities have, with one exception, been issued up to the present time by officials of the Soviet AGs only. In the case of Maschinenfabrik Sangerhausen AG, moreover, the liquidator, Economic Examiner Erhard Sonntag, by order, has considered himself obliged to issue notices also:

"The personnel relationships in the company have developed in such a fashion that they make it impossible to guarantee a correct liquidation. We are dependent upon the cooperation of the Russian officials of the Soviet AGs for the release of those of their German personnel who were formerly connected with the plant in the process of liquidation. They are needed for the clarification of liability relations with debtors and creditors, in the evaluation of goods supplies, the drawing up of balances, the keeping of business records, the carrying on of correspondence and discussions with debtors, creditors, and other offices. This cooperation is necessary on the one hand because of the indispensability of the factual knowledge of veteran personnel concerning debts, obligations, contracts, and the state of goods

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to be liquidated, and on the other hand because of the necessity of avoiding overly large liquidation costs."

I think that in other cases also directives through the appointed economic examiners on the same grounds, must be expected so that in this type of case, no employees of any sort will be left at the firm's disposal for carrying out liquidations.

In agreement with Mr. Friedheim, I felt obliged to give you, Herr Minister, a short report on current developments, since it appears to me definitely necessary to issue the resolutions of the Land Liquidation Commission concerning the future treatment of the matter. I would be grateful to you if you would give this group of questions your special attention.

By order:

Hansen

Minutes of the Meeting of the Liquidation Committee on 31 October 1947

The following were present:

From the Ministry of Economics: Toll, Hansen, Beyer
 From the Ministry of Justice: Landesgerichts Director
 Dr. Niethammer
 From the Ministry of Finance: No one
 Mr. Malkowski asked that he be excused from attending this meeting.

Division Head Hansen reported on the difficult situation occasioned by the withdrawal of the greater part of the liquidators from the work of carrying out the liquidation of residual firms.

Various possibilities were suggested to permit the carrying out of the liquidation. The conveyance of residual firms into the possession of Land Saxony-Anhalt was recognized by all members of the commission as the most practical method. An appropriate motion will be addressed to the cabinet.

The chairman of the commission stated that in many enterprises the estimates for expropriation or sequestration had not been submitted (for example, from Hoppe and Roehming, where the Land Committee had unanimously proposed the return of the factory), and a statement was to be requested from the Liquidation Section of the Economic Reform Division in order that a survey of the bases for expropriation of the thirty-nine enterprises which have become Russian might be obtained. Division-head Hansen undertook the expedition of the inquiry.

Division-head Hansen referred to the still unclarified situation of the IG-Farben enterprises, for the solution of which liquidation commissions have not yet been formed. He alluded especially the attitude taken by Colonel Bayer that the IG-Farben firms lay under his exclusive jurisdiction.

The chairman of the committee mentioned the difficult situation into which some firms have fallen because of the high interest rate on bank loans, and spoke of proposing a legal regulation corresponding to that in Section 63 KO, by which interest extending from the opening of the liquidation proceedings cannot be counted.